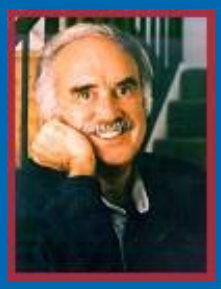
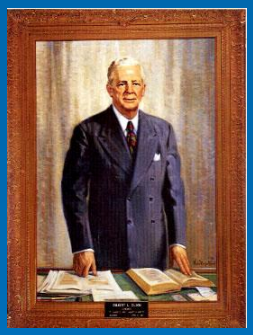
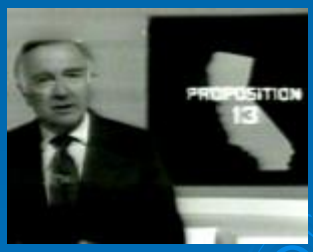
Will California Fix Its Health Insurance Problem?







Daniel J.B. Mitchell
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And
UCLA School of Public Affairs

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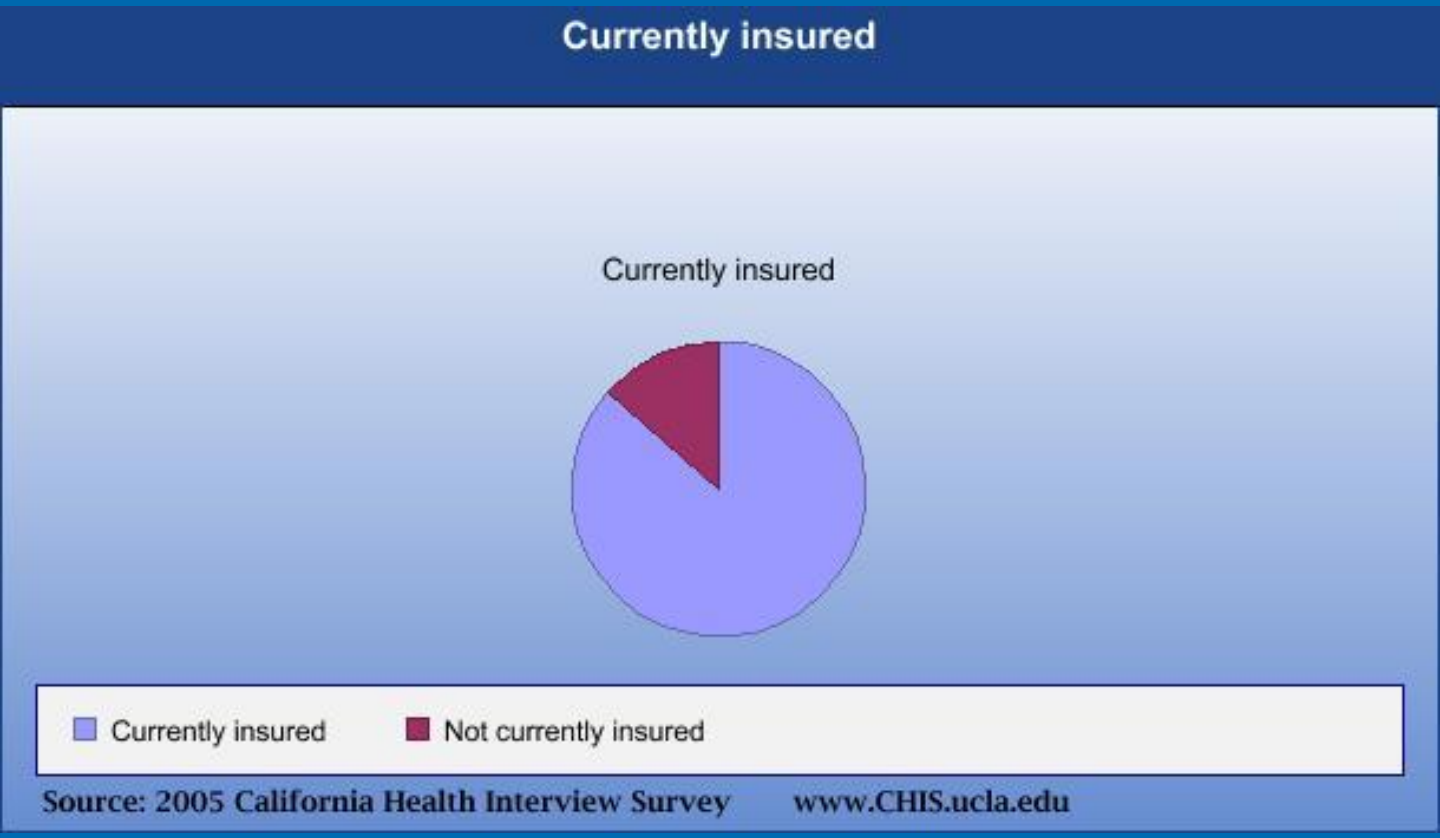
July 11, 2007
Anaheim, CA

California Data

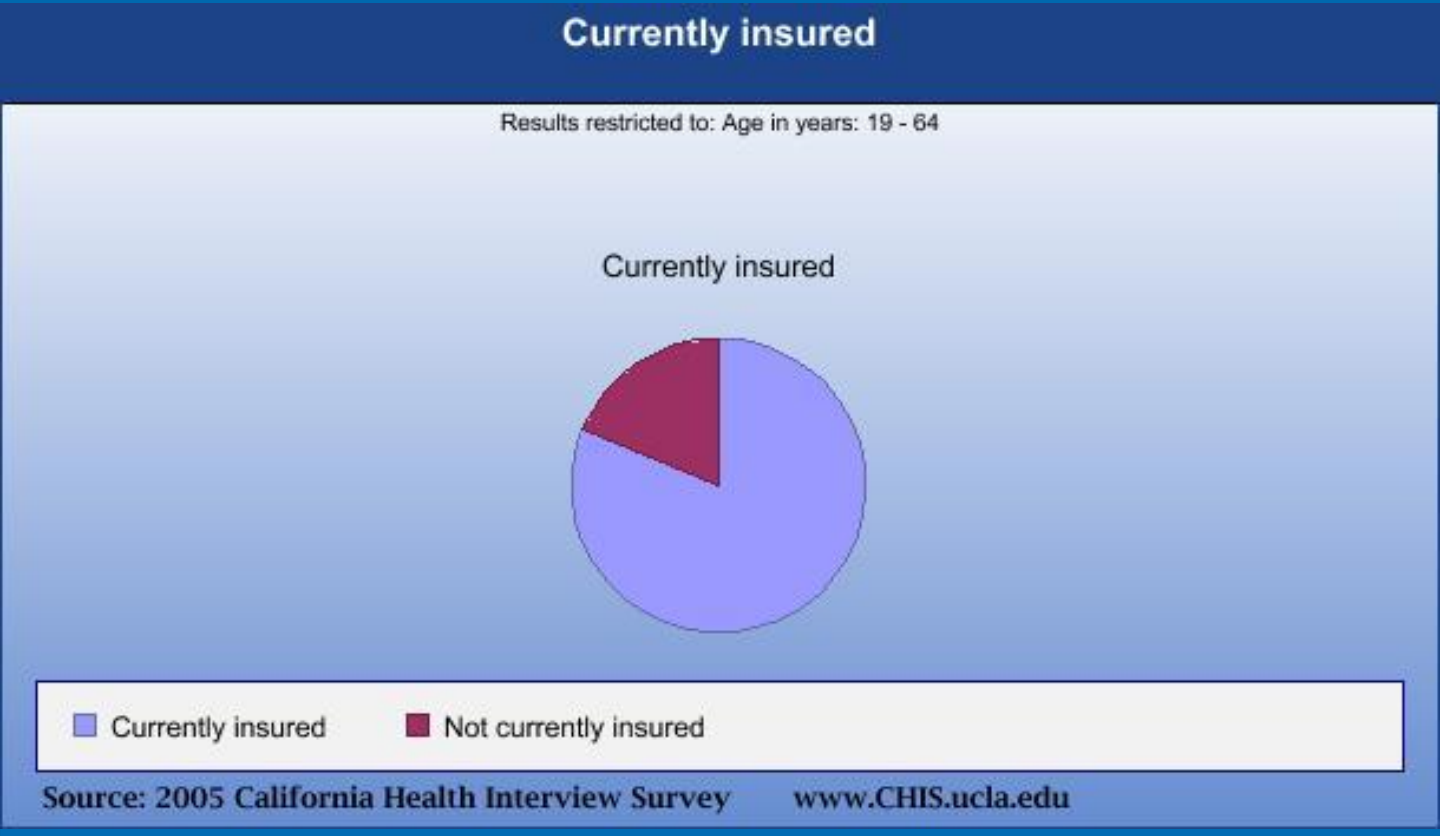
13.5% Uninsured 2005



All Ages

California Data

18.7% Uninsured 2005



Ages 19-64

TIME
Who Needs Washington?

Early California History

- Direct Democracy under Gov. Hiram Johnson
  - Initiative
  - Referendum
  - Recall
  - Workers' comp
  - Women's suffrage

Early California History

- World War I era ballot proposition
- 1935: Doctors' plan
- Gov. Culbert Olson's plan
- Calif. Physicians Service

Blue Shield of California
An Independent Member
of the Blue Shield Association

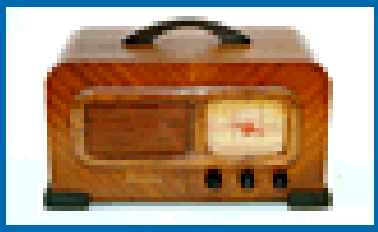
California Governor

Act I: 1945

- Consulting the docs (a bit)
- Announcing the plan
- Doctor opposition

Blue Shield of California
An Independent Member
of the Blue Shield Association

  - *Whitaker and Baxter*
  - *Calif. Physicians Service*



- Business opposition
- AFL vs. CIO
  - *Fee for service vs. capitation*
- Failure
- Hospitalization only plan
- Failure again

Act II: 1947

- Background:
  1946 Election
- Expansion of job-based private plans esp. union
- Catastrophic Health Insurance Plan
- Employer pay or play
- Failure again

Collier-Burns Act (1947)

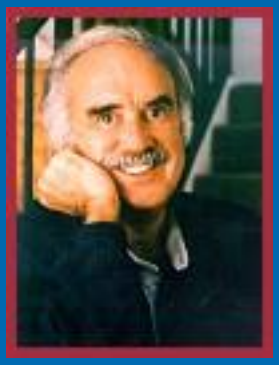
- Proposal: Put gas and other motor-vehicle related taxes into trust fund to avoid tax "diversion"
- Raise gas and related taxes to build freeways and other roads

Randolph Coll..n
Second District

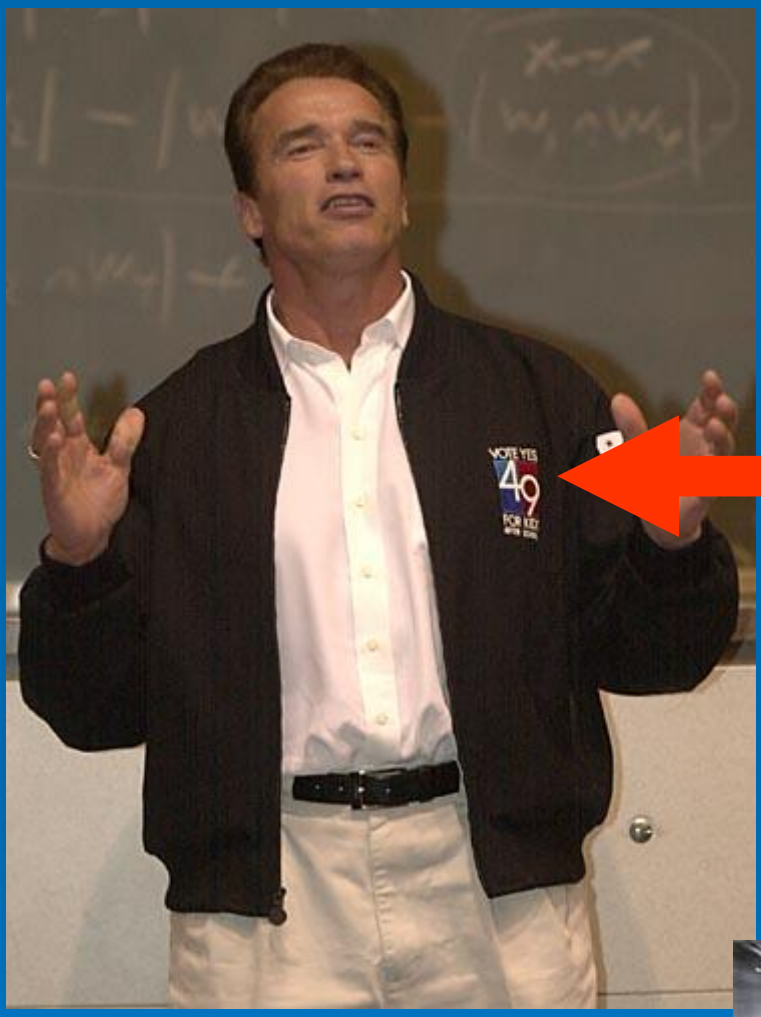
Michael J. Burns
First District

Post-Warren

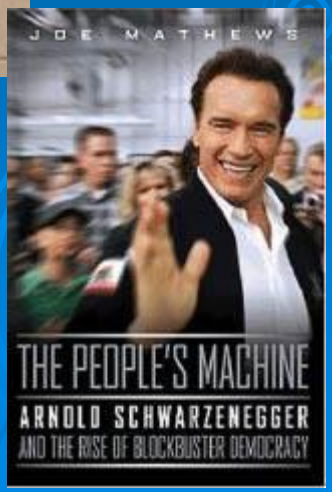
- 1992: Proposition 166
  - Employer mandate
  - Doctor driven (CMA)
  - Yes 31%; No 69%
- 1994: Proposition 186
  - Single payer
  - Yes 23%; No 77%
- 2003: Burton Bill (SB2)
  - Employer mandate (pay or play)
  - Pre-recall signing by Davis
  - Repealed by referendum Proposition 72 (2004)
  - Yes (sustain law) 49.2%; No 50.8%



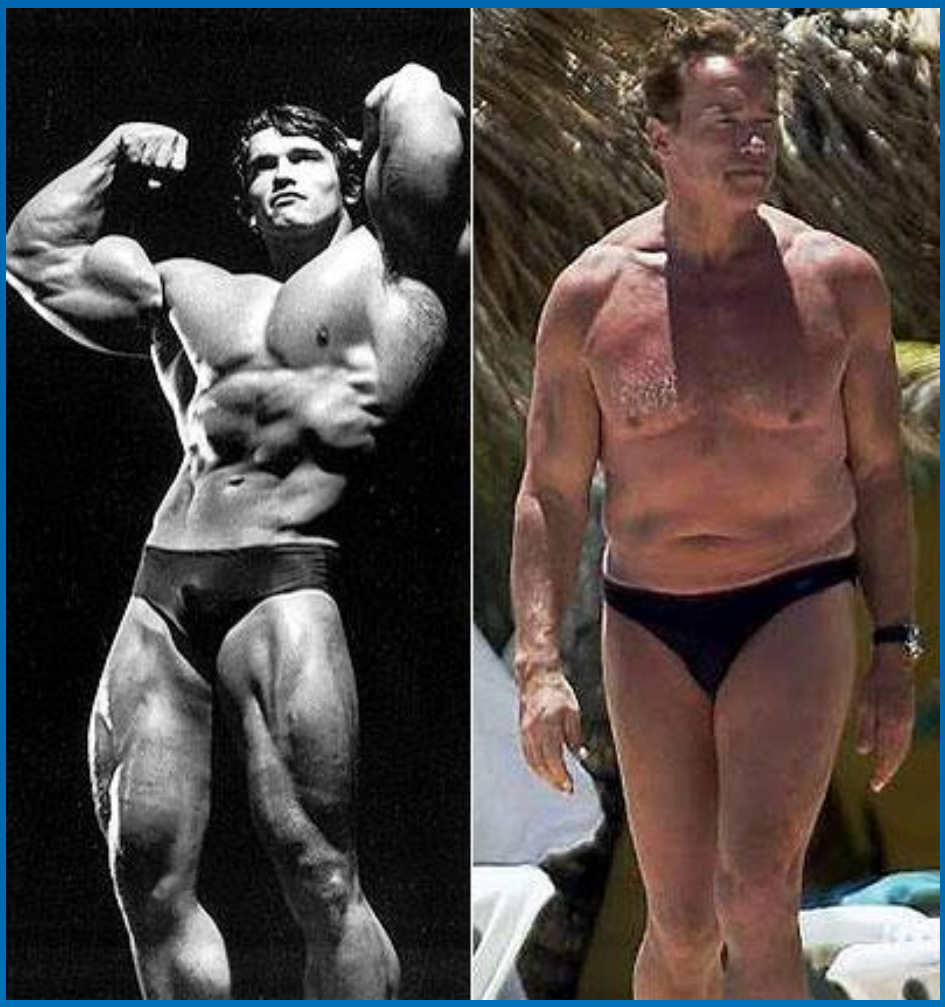
Prop 49: 2002



After-School Activities



Universal health care in California?



California has an aging population, although less so than the US as a whole.

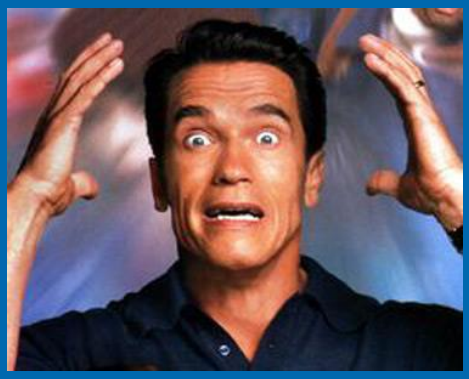
Jan. 2007: We will get this done.

Universal health insurance

State Sen. Sheila Kuehl

Single Payer

Formerly Zelda on Dobbie Gillis



State Sen. Sheila Kuehl

Single Payer

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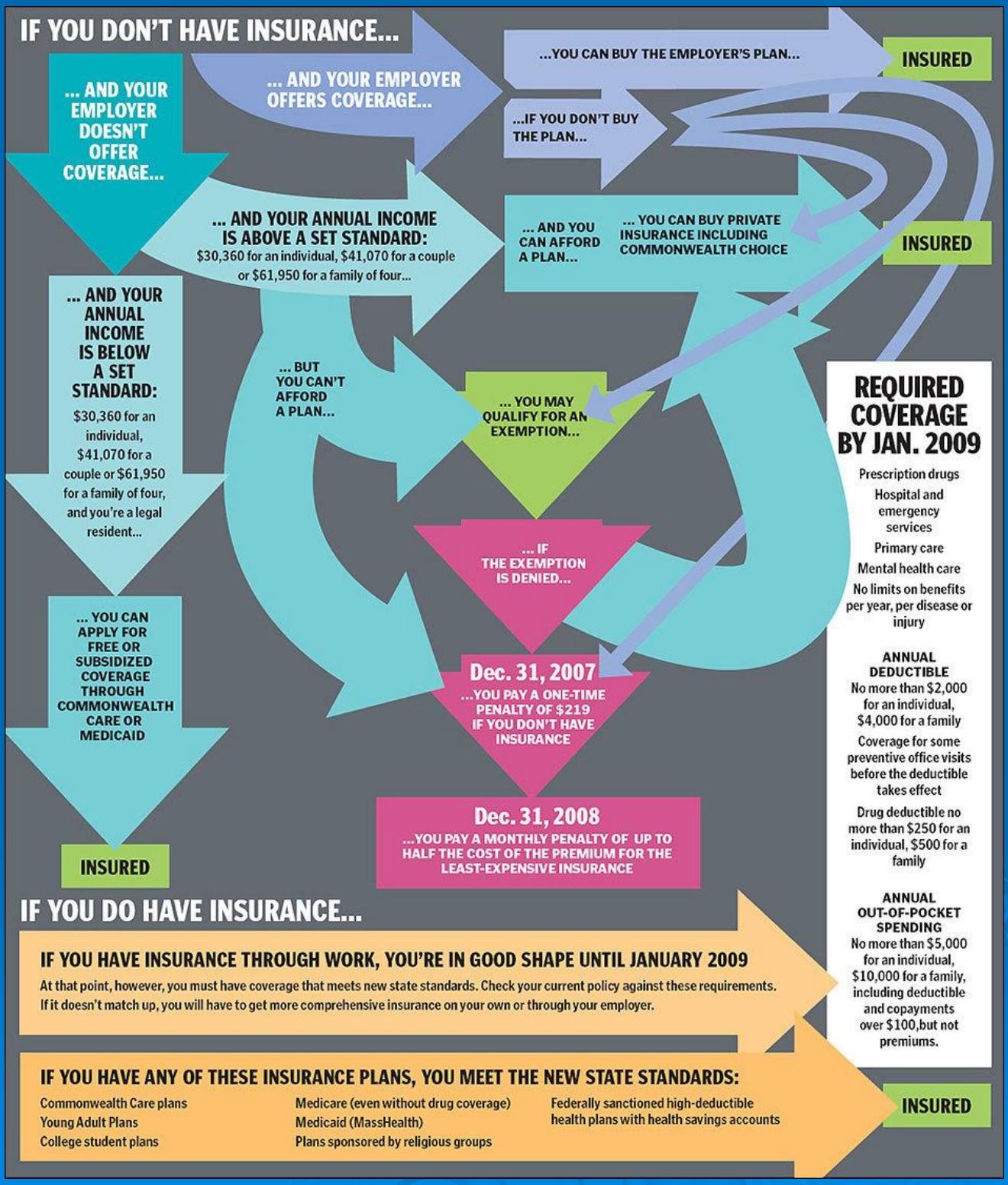
Massachusetts Plan


IF YOU DON'T HAVE INSURANCE...
... AND YOUR EMPLOYER DOESN'T OFFER COVERAGE...
... AND YOUR EMPLOYER OFFERS COVERAGE...
...YOU CAN BUY THE EMPLOYER'S PLAN...
INSURED
...IF YOU DON'T BUY THE PLAN...
... AND YOUR ANNUAL INCOME IS ABOVE A SET STANDARD:
$30,360 for an individual, $41,070 for a couple or $61,950 for a family of four...
... AND YOU CAN AFFORD A PLAN...
... YOU CAN BUY PRIVATE INSURANCE INCLUDING COMMONWEALTH CHOICE
INSURED
... AND YOUR ANNUAL INCOME IS BELOW A SET STANDARD:
$30,360 for an individual, $41,070 for a couple or $61,950 for a family of four, and you're a legal resident...
... BUT YOU CAN'T AFFORD A PLAN...
... YOU MAY QUALIFY FOR AN EXEMPTION...
... IF THE EXEMPTION IS DENIED...
... YOU CAN APPLY FOR FREE OR SUBSIDIZED COVERAGE THROUGH COMMONWEALTH CARE OR MEDICAID
Dec. 31, 2007
...YOU PAY A ONE-TIME PENALTY OF $219 IF YOU DON'T HAVE INSURANCE
Dec. 31, 2008
...YOU PAY A MONTHLY PENALTY OF UP TO HALF THE COST OF THE PREMIUM FOR THE LEAST-EXPENSIVE INSURANCE
INSURED
REQUIRED COVERAGE BY JAN. 2009
Prescription drugs
Hospital and emergency services
Primary care
Mental health care
No limits on benefits per year, per disease or injury
ANNUAL DEDUCTIBLE
No more than $2,000 for an individual, $4,000 for a family
Coverage for some preventive office visits before the deductible takes effect
Drug deductible no more than $250 for an individual, $500 for a family
ANNUAL OUT-OF-POCKET SPENDING
No more than $5,000 for an individual, $10,000 for a family, including deductible and copayments over $100, but not premiums.
IF YOU DO HAVE INSURANCE...
IF YOU HAVE INSURANCE THROUGH WORK, YOU'RE IN GOOD SHAPE UNTIL JANUARY 2009
At that point, however, you must have coverage that meets new state standards. Check your current policy against these requirements. If it doesn't match up, you will have to get more comprehensive insurance on your own or through your employer.
IF YOU HAVE ANY OF THESE INSURANCE PLANS, YOU MEET THE NEW STATE STANDARDS:
Commonwealth Care plans
Young Adult Plans
College student plans
Medicare (even without drug coverage)
Medicaid (MassHealth)
Plans sponsored by religious groups
Federally sanctioned high-deductible health plans with health savings accounts
INSURED

Source: www.bostonglobe.com

Governor's Proposal

- Yet to be a bill:
  - Health insurance required for everyone
  - State-subsidized insurance for those with low incomes
  - Companies with 10 or more workers provide insurance or pay into a state fund
  - Incentives for healthy behavior and prevention
  - Insurers could not refuse to sell policies to anyone or charge unhealthy people more
  - Insurers spend at least 85% of premiums on healthcare
  - Increased state payments to doctors and hospitals that treat the poor
  - Fees assessed on earnings of hospitals and doctors
  - State-subsidized insurance for all children from low- and moderate-income families
  - Tax-free savings accounts allowed for the purchase of high-deductible insurance

LA Times 5/7/07

$12 billion from state, federal, employers, individuals

Population Movements

(in millions)

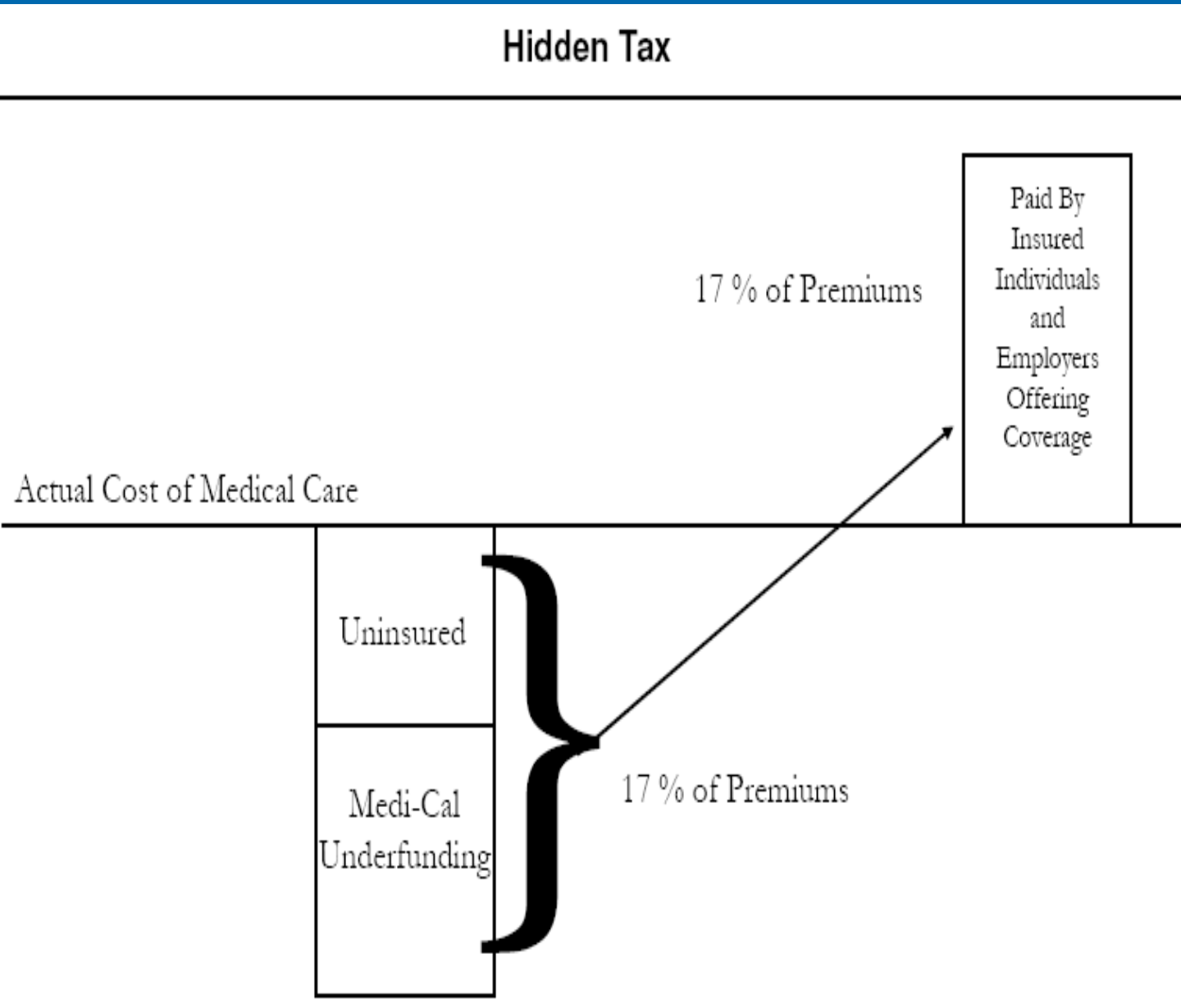
Table 3: Net Changes in Population for Entire Population (Under Age 65)			
Insurance Source	Before	After	Change
Public Insurance	6.6	8.1	1.5
Employer-Provided Insurance	18.8	18.8	0
Non-Group Insurance	2.1	2.7	0.7
New Pool for Low Income	0	1.9	1.9
Uninsured	4.9	0.8 *	-4.1
Total	32.4	32.4	0

Jonathan Gruber, MIT: 5/16/07

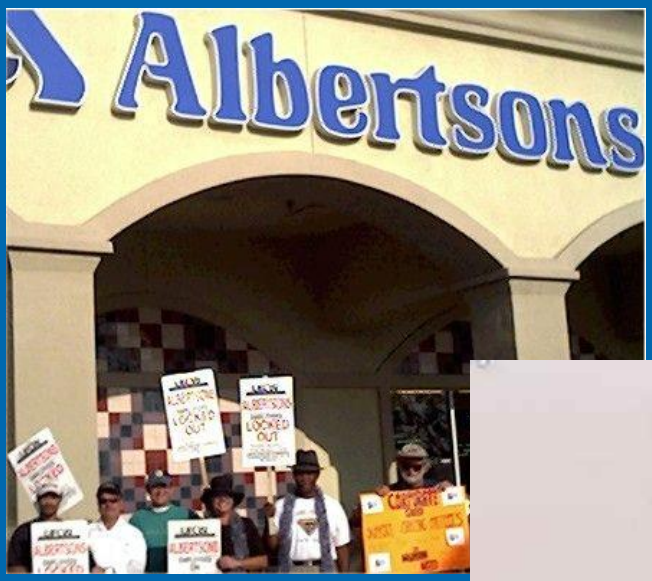
http://calhealthreform.org/images/gruberstudynunezperata051607.pdf

From official proposal:

http://www.stayhealthycalifornia.com/



2003-4 Southern California Supermarket Strike



Kroger

Safeway

2003-4 Southern California Supermarket Strike

Steven A. Burd
CEO Safeway

Burd et al Proposals

Coalition to Advance Healthcare Reform

- **Health insurance required for everyone (individual-based)**
- **Subsidized insurance for those with low incomes**
- **Preexisting conditions covered**
- **Incentives for healthy behavior and prevention**
- **Tax deductions for individuals who buy insurance**
- **Costs of care revealed to consumers**

LA Times 5/7/07

Burd et al Proposals

Coalition to Advance Healthcare Reform

- Healt r everyor
- Subsi se with low inc
- Preex ed
- Incen or and prevent
- Tax d ls who buy ins
- Costs of care revealed to consumers

LA Times 5/7/07

Prison Crisis

Infrastructure Needs

Roads

Public transit

Water

Structural Budget Deficit

2/3 vote required

Britain

AP /Eriko Sugita, POOL

Japan

Mexico

Canada

TOM TOLES *Washington Post*

LEADERSHIP & THE ENVIRONMENT
Newsweek
Save the Planet– Or Else
Outside
Arnold
179
Solutions for a Hot Planet
THE GREEN ISSUE

Enough green glory, governor. Now get back to work

The cover of Newsweek's nice, but what about term limits, prison overcrowding and healthcare reform?

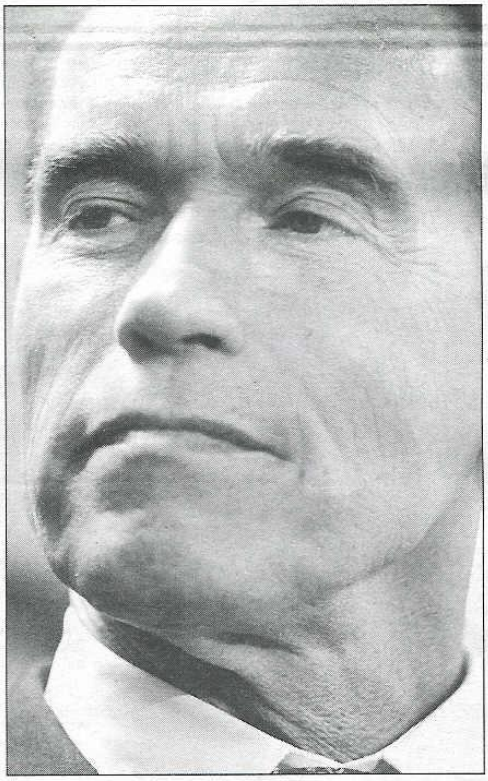
By Anthony York

Of late, Gov. Arnold Schwarzenegger has ridden the green wave to national — even global — prominence. He has received fawning media coverage — landing on the covers of Newsweek and Outside — as he travels the nation calling for tougher controls on carbon emissions to slow global warming.

In a New York speech, he scolded Detroit automakers for challenging California's stricter car-emissions standards, and in Washington, he preached that environmentalism is "hip." He will even appear in an episode of MTV's "Pimp My Ride" to inspect a remade car that runs on clean-burning fuel.

Schwarzenegger's green crusade has been a marketing coup, but some festering political issues at home may abruptly bring him down to political earth. Resolving these problems will do more to shape his legacy as governor than the landmark legislation he signed to slow global warming.

Chief among them is overcrowding in the state's prisons, in which 172,000 inmates occupy space for 100,000 and about 16,000 convicts are sleeping in hallways, gyms, recreation rooms or other areas not designed for housing. A federal judge has given the state until May 16 to come up with a plan to reduce the prison population. Last week, the first new prison in 15 years was dedicated. Another was under construction in San Quentin. Senate President Pro Tem Don Perata (D-Oakland) said the administration's secrecy on the project raised doubts about



Stefan Zaklin *European Pressphoto Agency*

SPOTLIGHT: *Gov. Arnold Schwarzenegger's green crusade has been a marketing coup, but it won't help him come up with a legislative sequel.*

islative form.

The governor's aides have been meeting with the legislative leadership, insurers and physician and hospital groups as many as four times a week. The Democratic leaders of the Assembly and Senate are expected to unveil their proposals this week. So far, Schwarzenegger seems content to allow others to introduce legislation.

Then there's the dreaded May budget revision, when state finance officials get their tally of actual tax receipts and compare them with the governor's January revenue and spending projections. Early indications are that the state's revenues will be at least $1 billion less than projected by the state Department of Finance in January. This probably will motivate Republicans, led by Assemblyman Mike Villines of Clovis, to urge the governor to take a harder line on state spending. In contrast to last year, all sides are girding for a long budget fight this summer. Villines has already sided with business groups in opposing the governor's healthcare plan, which they say will impose new taxes on California businesses.

Schwarzenegger, meantime, must deal with two political reform issues that could blow back on his prison and universal healthcare goals. Democratic leaders have put forth a term-limits proposal — one 12-year stint

Legislature Proposals

Democratic leadership merged plan

- Employers to spend 7.5% of payroll on worker health (pay or play model)
- *Insurers to sell coverage to all but the sickest individuals who go into high risk pool (but no individual mandate)*
- Insurers to spend at least 85% of premiums on medical care
- *The state to subsidize insurance for children and the poor*
- Insurers to subsidize coverage for the very sick via high risk pool

LA Times 6/22/07

Legislature Proposals

Republican lawmakers' plans

- Expand neighborhood healthcare clinics to ease emergency room crowding
- Tax-free savings accounts allowed for high-deductible insurance
- Increased state payments to doctors and hospitals that treat the poor
- Medical providers get tax credit for unreimbursed treatment
- Reduction of mandates on what insurers cover
- Help for small businesses that join to buy insurance (Assembly only)
- Employers may buy combined health and worker-compensation coverage (Assembly only)
- Preexisting conditions covered (Assembly only)
- All First Five funds spent on children's healthcare (Senate plan only)

LA Times 5/7/07

Growing Consolidation of Health Insurance Providers

- Top 7 HMOs & Top 6 PPOs
  - Kaiser (no PPO)
  - Blue Cross
  - Blue Shield
  - Cigna
  - Aetna
  - Pacificare
  - Health Net

- HMOs: 9 out of 10 covered age < 65
- PPOs: 7 out of 10 covered age < 65

2005 CHIS Data: Private Sector

Growing Consolidation of Health Insurance Providers

- Fewer players (might) = easier deals
- Less risk of Harry and Louise type campaigns?

Growing Consolidation of Health Insurance Providers

- Fewer players (might) = easier deals
- Less risk of Harry and Louise type campaigns?
- Too late; they're back!

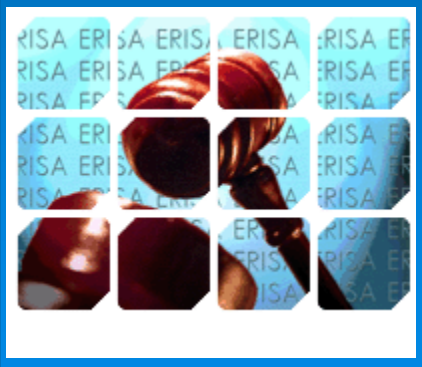
How effective are anti-Harry and Louise ads?

How effective are anti-Harry and Louise ads?

Uncertain Future

- Lack of leg-gov consensus?
  - Priorities, focus

- ERISA preemption?
  - The Maryland example
- Fee vs. tax
  - Prop 13 (1978) and 2/3 vote requirement



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Uncertain Future

- Lack of leg-gov consensus?
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- Fee vs. tax
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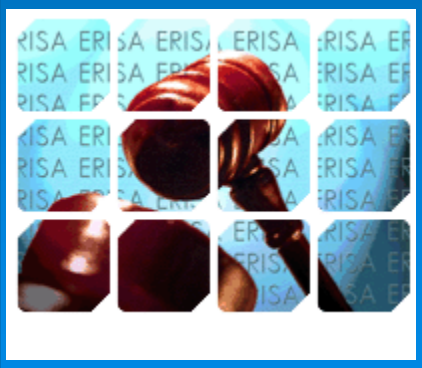
- Direct democracy
  - Repeal via referendum as in 2004



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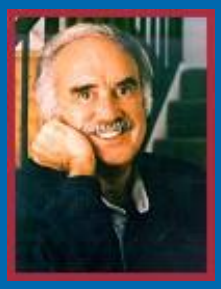

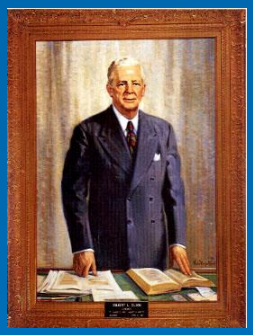

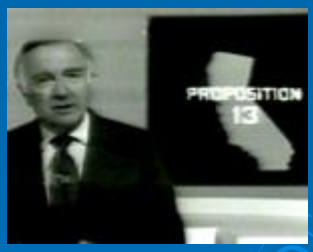

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